Benefits from CAFTA-DR
Iowa

U.S. Department of Commerce
International Trade Administration
March 2005

Iowa's export shipments of merchandise—manufactures and non-manufactures—to the CAFTA-DR region (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua) totaled $31 million in 2004.

Iowa's exports to the CAFTA-DR group grew by $3 million from 2000 to 2004, a 12 percent increase. In 2004, Guatemala alone received merchandise exports from Iowa totaling $9 million.

CAFTA-DR Provides Enhanced Market Access to the Dominican Republic and Central America

CAFTA-DR will boost opportunities for Iowa's exporters throughout the region, providing new market access for the state's products. More than 80 percent of U.S. exports of consumer and industrial products to Central America and the Dominican Republic will be duty-free immediately upon entry into force of the agreement, with remaining tariffs phased out over 10 years. Key U.S. exports, such as information technology products, agricultural and construction equipment, paper products, chemicals, and medical and scientific equipment, will gain immediate duty-free access to Central America and the Dominican Republic.

CAFTA-DR Moves the Trading Relationship from One-way Preferences to Reciprocity

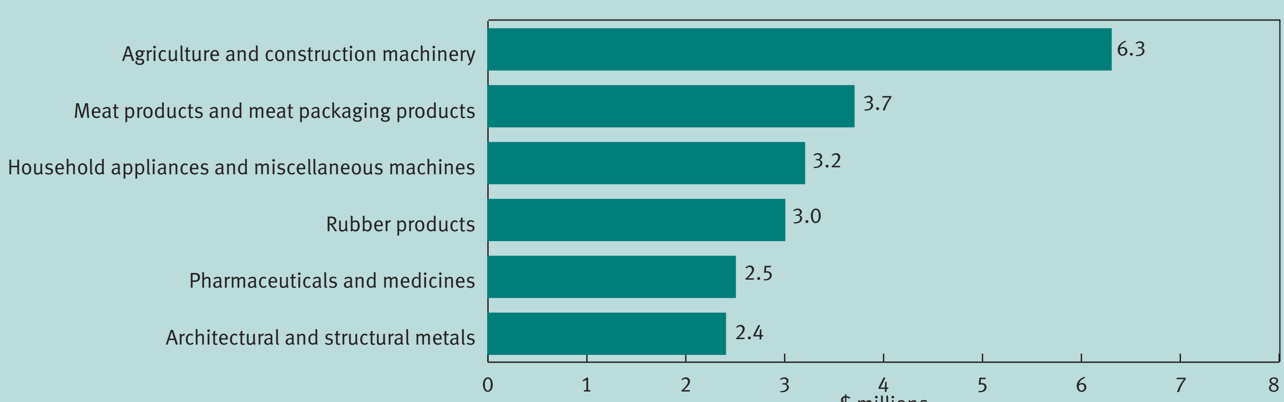
For 20 years, most Central American and Dominican Republic exports to the United States benefited from duty-free treatment, primarily as a result of the Caribbean Basin Initiative (CBI). Currently about 80 percent of the region's exports enter the United States duty-free, while U.S. goods exported to the CAFTA-DR countries face significant average tariffs.

CAFTA-DR Opens Markets for Key Iowa Exports

Manufactured goods accounted for 95 percent of Iowa's merchandise exports to the CAFTA-DR region in 2004. Top manufactured exports in 2004 included agricultural and construction machinery ($6.3 million), meat products and meat packaging products ($3.7 million), household appliances and miscellaneous machines ($3.2 million), and rubber products ($3.0 million).

Continued on reverse

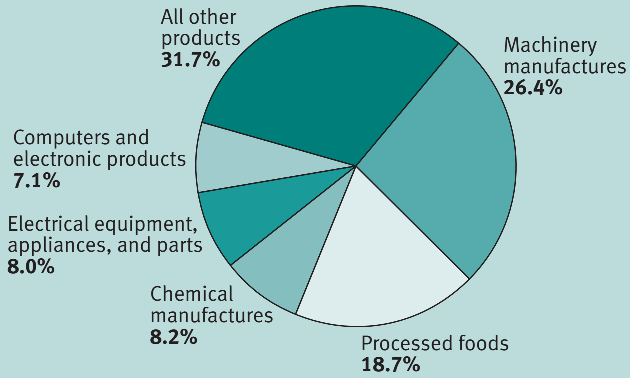
Iowa Exported $30.0 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004
Agriculture and Construction Machinery Is Top Category



Source: U.S. Department of Commerce.

Iowa Exported $6.4 Billion in Goods to the World in 2004

Three Categories Account for More Than Half



Source: U.S. Department of Commerce.

Agricultural and construction machinery. The state's top manufactured export category to the CAFTA-DR group is agriculture and construction machinery. In 2004, Iowa exported agriculture and construction machinery to this region valued at $6.3 million. These products alone accounted for 20 percent of Iowa's total exports to the region (including non-manufactures). One hundred percent of U.S. agricultural equipment and 95 percent of construction equipment exports to Central America and the Dominican Republic will be duty-free immediately upon implementation of the CAFTA-DR agreement with the remaining tariffs phased out over five or 10 years.

Architectural and structural metals. Iowa exported $2.4 million in architectural and structural metals to the CAFTA-DR region in 2004. Tariffs on all U.S. steel exports to Central America and the Dominican Republic will be phased out, with more than 70 percent of U.S. exports receiving duty-free treatment immediately upon implementation of the agreement. Major infrastructure projects (roads, bridges, hotels) and private sector-led development of industrial sites and housing has led to a boom in construction on Central America and the Dominican Republic, providing new opportunities for U.S. manufacturers.

Meat products and meat packaging products. The CAFTA-DR agreement, when implemented, will stimulate new opportunities for Iowa's exporters in this sector. Demand in Central America and the Dominican Republic for imported processed food products has been expanding substantially in recent years, despite high tariffs. U.S. suppliers of processed food will benefit from CAFTA-DR tariff elimination provisions

Other manufactures. Between 2000 and 2004, Iowa's manufactured exports to the CAFTA-DR group registered strong percentage growth in the following sectors: communications equipment; ventilation, heating, air conditioning, and commercial refrigeration equipment; converted paper products; and other wood products. Household appliances and miscellaneous machines also registered strong growth (up $2.7 million). CAFTA-DR should enhance opportunities for exports in these and other sectors. In particular, CAFTA-DR better positions U.S. exporters to take advantage of the expanding market in the heating and cooling equipment sectors, where tariffs currently range up to 15 percent.

Iowa's Farmers Benefit From CAFTA-DR

Despite high tariffs and other barriers on most agricultural products, including important Iowa products such as corn, pork, and soybeans, U.S. exporters shipped over $1.6 billion in U.S. farm exports to the CAFTA-DR region in 2003. In the free trade agreement, a primary U.S. objective was to change the "one-way-street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way-street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. Over 50 agricultural industry and farm groups, including the American Farm Bureau, support the FTA.

For more information on agricultural exports and the CAFTA-DR agreement, see the state fact sheets posted by the U.S. Department of Agriculture at *www.fas.usda.gov/info/factsheets/CAFTA/state.html*.

Iowa's Exports Were Spurred by Past Trade Agreements

In the first year of the U.S.-Chile FTA, Iowa's exports to Chile grew by more than 32 percent. Since the North American Free Trade Agreement (NAFTA) was signed in 1993, Iowa's combined exports to Canada and Mexico have increased by more than 180 percent.

The Central American–Dominican Republic Free Trade Agreement (CAFTA-DR) group consists of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to states based on transportation origin—i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Source: Bureau of the Census, U.S. Department of Commerce, Origin of Movement series.

Prepared by the International Trade Administration, U.S. Department of Commerce.